

In The
United States Court of Appeals
For The Federal Circuit

**CHRIMAR SYSTEMS, INC., dba CMS Technologies, Inc.,
CHRIMAR HOLDING COMPANY, LLC,**

Plaintiffs – Appellees,

v.

ALE USA INC., fka Alcatel-Lucent Enterprise USA, Inc.,

Defendant – Appellant.

**APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
IN NO. 6:15-cv-00163-JDL, JUDGE JOHN D. LOVE.**

**BRIEF OF 20 AMICI CURIAE ENTREPRENEURIAL INVENTORS
IN SUPPORT OF PETITIONERS – APPELLEES**

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CERTIFICATE OF INTEREST

1. The full name of every party or amicus represented by me:

Amici Curiae David S. Breed; Patrick Buckley; Roman Chistyakov; J. Carl Cooper; Daniel Egger; David Furry; Larry Golden; Mark Goodson; LeRoy G. Hagenbuch; Peter J. Keller; Michael Kintner; Steve Krampf; Dr. Steven F. LeBoeuf; Scott Lewis; Josh Malone; Chris McCutchen; Cheong Choon Ng; Ari Rosenberg; Roy Robert Smith III; and Tom Waugh.

2. The name of real party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:

The Amici Curiae are the real parties in interest as they are submitting this amici curiae brief in their individual capacity. Certain Amici Curiae are affiliated with the following entities: Automotive Technologies International Inc.; DODOcase VR Inc.; Zond LLC; Software Rights Archive, LLC; ATPG Technology, LLC; Goodson Holdings, LLC; Advanced Audio Devices, LLC; 360Heros, Inc.; Chestnut Hill Sound Inc.; Valencell, Inc.; Summit 6 LLC; Tinnus Enterprises, LLC; Christy Inc.; Choon's Design LLC; Performance Pricing Holdings, LLC; and Shoes by Firebug LLC. The names of these entities are being disclosed for full disclosure.

3. Parent corporations and publicly held companies that own 10% or more of stock in the party.

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

None.

- 5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. See Fed. Cir. R. 47. 4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).**

Counsel is only aware of the cases listed in the corresponding question to Petitioner Chrimar Systems, Inc.'s Certificate of Interest, and incorporates that list of cases by reference.

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Ted Sichelman and Stuart J.H. Graham, *Patenting by Entrepreneurs: An Empirical Study*, 17 MICH. TELECOMM. TEC. L. REV. 111 (2010), available at <http://www.mttl.org/volseventeen/Sichelman&Graham.pdf>).....2

INTERESTS OF AMICI CURIAE¹

The 20 Amici Curiae Entrepreneurial Inventors (“20 Amici Inventors”) are entrepreneurs who are each inventors on one or more United States patents, formed business entities to practice and/or monetize their inventions, enforced or attempted to enforce their patents in Article III courts, and had their patents challenged in *inter partes* reviews (IPR), post grant reviews (PGR), and/or covered business method reviews by the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office.² The 20 Amici Inventors are interested in this case because of their unique perspective of litigating their patents in Article III courts and before the PTAB. They submit this brief solely to share their views regarding the need for this Court’s en banc review of the appeal.

Over the course of enforcing their patents, the 20 Amici Inventors have collectively spent more than \$74 million asserting their patents in their respective litigations before Article III courts and the PTAB. Cumulatively, they spent more

¹ No counsel for a party authored this brief in whole or in part, and no such counsel of a party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the 20 Amici Inventors or their counsel made a monetary contribution to its preparation or submission. Petitioners-Appellees Chrimar Systems, Inc. and Chrimar Holding Company, LLC consent to the filing of this brief. Respondent-Appellant ALE USA, Inc. declined consent upon request.” Pursuant to Federal Rule of Appellate Procedure 29(b) and Federal Circuit Rule 29(c), a motion for leave to file this brief is tendered herewith.

² The Appendix includes a list of signatories.

than 175 years litigating their patents before these forums. From their perspective as entrepreneurial inventors, the requisite monetary resources to enforce a patent is astronomical.³ Recent statistics show that for disputes with values over \$25 million, the average cost to litigate a patent litigation dispute through appeal in Article III courts is \$5.1 million.⁴ The average cost to litigate an IPR or PGR proceeding through appeal is over \$400,000.⁵

High litigation costs discourage entrepreneurial inventors from filing infringement suits and, in turn, encourage infringement by others.⁶ For example, in some situations, “if cash constraints are the major driver ... competitors are more likely to infringe the patents of resource-poor startups on the theory that these companies are less able to enforce their rights.”⁷ Given their financial constraints, the 20 Amici Inventors desire to keep patent enforcement monetary costs to a

³ See Jeff A. Ronspies, Comment, Does David Need a New Sling? Small Entities Face a Costly Barrier to Patent Protection, 4 J. MARSHALL REV. INTELL. PROP. L. 184, 197 (“Litigation costs can impose on the small entity a great burden in the event that it must enforce a patent.”)

⁴ AM. INTELL. PROP. LAW ASS’N, REPORT OF ECONOMIC SURVEY 2019, 56 (2019).

⁵ *Id.* at 61-62.

⁶ Ted Sichelman and Stuart J.H. Graham, *Patenting by Entrepreneurs: An Empirical Study*, 17 MICH. TELECOMM. TEC. L. REV. 111 (2010), 134, available at <http://www.mtlr.org/volseventeen/Sichelman&Graham.pdf>.

⁷ *Id.*

reasonable, cost-effective, and minimum level. When they are forced to incur monetary costs, they expect a streamlined, fair, and predictable ecosystem to enforce their patent rights.

For the reasons noted below, the 20 Amici Inventors support Petitioner-Appellee Chrimar Systems, Inc. (“Chrimar”) and respectfully request that this Court reconsider its September 19, 2019 opinion by conducting an en banc review of the issue presented here.

SUMMARY OF ARGUMENT

The interests of the 20 Amici Inventors’ align with the policy behind the long-standing doctrine of issue preclusion—namely, protecting against “the expense and vexation attending multiple lawsuits, conserv[ing] judicial resources, and foster[ing] reliance on judicial action by minimizing the possibility of inconsistent verdicts.” *See, e.g., B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015) (quoting *Montana v. United States*, 440 U.S. 147, 153–154 (1979)).

With respect to the issue raised in the Petition, because of the concerns noted above, the 20 Amici Inventors have a vested interest to expect rulings by an Article III court are not ignored and superseded by subsequent PTAB rulings. The integrity of the United States patent system depends on affording inventors the ability to obtain Article III court rulings that cannot be overturned in a subsequent

PTAB proceeding brought by a third party. To permit such agency reversals of Article III Court decisions turns the whole constitutional framework on its head. Finally, to the extent facts arise on appeal that might implicate issue preclusion, the 20 Amici Inventors would favor the right to address, brief, and argue the issue, and would oppose the automatic, sua sponte application of preclusion.

ARGUMENT

I. The Panel Decision Ignored Regional Circuit Precedent

As a threshold matter, issue preclusion “is generally guided by regional circuit precedent, but [the Federal Circuit] appl[ies] [its] own precedent to those aspects of such a determination that involve substantive issues of patent law.” *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013); *see also* Petition at 4-5 (citations omitted). With respect to “finality of judgment” in particular, this Court “must apply the law of the [regional circuit].” *Pharmacia & Upjohn & Co. v. Mylan Pharm., Inc.*, 170 F.3d 1373, 1381 n.4 (Fed. Cir. 1999). This appeal arises from a district court action in the Eastern District of Texas. Accordingly, Fifth Circuit law applies in determining finality. The panel decision lacked any analysis whether this Court’s or the Fifth Circuit’s law should apply. Nor did the panel decision cite a single Fifth Circuit authority.

Instead, the panel decision relied on *XY, Chrimar III*,⁸ 2019 WL 4509164, at *2 (citing *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018)). *XY* in turn relied on a non-precedential decision stating that “[o]n issues of issue preclusion that implicate the scope of our own *previous* decisions, we apply Federal Circuit law.” *U.S. Ethernet Innovations, LLC v. Texas Instruments Inc.*, 645 F. Appx. 1026, 1028 (Fed. Cir. 2016) (citing *Soverain Software LLC v. Victoria’s Secret Direct Brand Mgmt., LLC*, 778 F.3d 1311, 1314 (Fed. Cir. 2015)) (emphasis added). But here the two decisions of this Court (*Chrimar I* and *II*) are not “previous” to one another. Instead, the two decisions issued contemporaneously on the same day. *Chrimar III*, 2019 WL 4509164, at *2 (“in a separate order issued today”). To the extent the panel decision implied that the *Chrimar II* issued earlier in the day, the public record does not that support that conclusion. Looking at the Court’s own PACER entries, the *Chrimar III* decision was entered at 9:36 am; six minutes later the *Chrimar II* decision was entered at 9:43 am. Thus, *Chrimar II* was not a “previous” ‘decision to *Chrimar III* based on the time the Court entered the decisions on PACER.

⁸ This brief uses the same naming conventions used in the Petition for naming the relevant *Chrimar* decisions of this Court. *Chrimar Holding Company, LLC v. ALE USA, Inc.*, 732 Fed. Appx. 876 (Fed. Cir. as amended June 1, 2018) (“*Chrimar I*”); *Chrimar Systems, Inc. v. Juniper Networks, Inc.*, 777 Fed. Appx. 518 (Fed. Cir. Sept. 19, 2019) (“*Chrimar II*”); *Chrimar Systems Inc. v. ALE USA, Inc.*, --- F. Appx. ---, 2019 WL 4509164 (Fed. Cir. Sept. 19, 2019) (“*Chrimar III*”).

Despite these facts, to the extent the Court nevertheless deems *Chrimar II* “previous” to *Chrimar III*, it is fundamentally unfair to have the governing law determination based merely on the time of day this Court renders one opinion with respect to another. Issue preclusion outcomes should not be a creature of the Court’s internal docket management, a factor beyond the parties’ control. Such a rule would make issue preclusion virtually impossible for future litigants, including the 20 Amici Inventors, to predict with any certainty. The 20 Amici Inventors and other future litigants need predictable patent rights to plan how to expend their finite financial resources in their respective cases.

II. The Panel Decision Misapplied *Fresenius*

Citing *Fresenius*, the panel decision reasoned that a litigation is “pending” when “the litigation [is] entirely concluded so that [the] cause of action [against the infringer] was merged into a final judgment ... one that ends the litigation on the merits and leaves nothing for the court to do but execute the judgment.” *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1341 (Fed. Cir. 2013). In relying on *Fresenius*, the panel made three errors.

First, *Fresenius* was clearly limited to reexamination and the corresponding reissue statute, not America Invents Act (AIA) trials. The *Fresenius* panel explicitly framed “the question in this case” as “whether, ***under the reexamination statute***, the cancellation of claims by the PTO is binding in pending district court

infringement litigation.” *Fresenius*, 721 F.3d at 1336 (emphasis added). The *Fresenius* panel went on into a lengthy analysis of the legislative history of reissue statute to “understand the scope of the relatively recent grant of reexamination authority.” *Id.* Nothing in *Fresenius* warrants extending its holding beyond reexaminations to AIA trials and the Court en banc should address this issue.

Second, the panel decision failed to address whether its ruling conflicts with the AIA estoppel provision for civil actions, which provides the following:

The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 ... that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

35 U.S.C. § 315(e)(2).

Section 315(e)(2) estops a PTAB petitioner from asserting designated grounds of invalidity in a civil action. But this is not the situation here where the petitioner was Juniper Networks, Inc. (not Defendant-Appellant ALE USA, Inc. (“ALE”)). Accordingly, this appeal is from a district court civil action to which the PTAB petitioner (or its privy) is not a party. Had Congress intended estoppel to include petitions brought by non-parties, they would have expressly provided that remedy. They did not. Here, the imposition of estoppel in this situation “contravenes” Section 315(e)(2). *XY*, 890 F.3d at 1301 (Newman dissenting).

Third, as noted above, Fifth Circuit law, not Federal Circuit law should apply when determining finality. Under Fifth Circuit precedent, issue preclusion applies as soon as the jury has rendered a verdict. *See Recoveredge, L.P. v. Pentecost*, 44 F.3d 1284, 1295 (5th Cir. 1995) (“[A] final judgment is not a prerequisite for issue preclusion when a jury has rendered a conclusive verdict.”); *accord Cycles, Ltd. v. Navistar Fin. Corp.*, 37 F.3d 1088, 1090 (5th Cir. 1994) (holding a district court judgments final and, thus, “strong enough to withstand preclusion by inconsistent later judgments” even when the precluded judgment was not yet appealable). For the purposes of issue preclusion, the district court validity determination was thus final as early as the time of the jury verdict and no later than judgment. This rule aligns with the 20 Amici Inventors’ interest to resolve matters predictably and efficiently.

III. Finality Can Exist Pending an Appeal

The panel decision hinges on the proposition that “finality generally does not exist when a direct appeal is still pending.” *Chrimar III* at *2 (citing Federal Circuit authority). As noted above and in the Petition, Fifth Circuit law should apply to finality determinations. *See* Section I, *supra*; Petition at 4-5. Under Fifth Circuit law, the district court validity determination was thus final as early as the time of the jury verdict and no later than judgment. *See* Section II, *supra*. But even if this Court’s precedent applies to finality determinations, the panel decision

ignores this Court’s prior ruling for the opposite proposition—that “[i]ssue preclusion applies even where an appeal to the first court’s decision is pending.” *Rice v. Dep’t of the Treasury*, 998 F.2d 997, 999 (Fed. Cir. 1993) (“The law is well settled that the pendency of an appeal has no effect on the finality or binding effect of a trial court’s holding.”) En banc review should be granted to (i) apply Fifth Circuit law on finality of judgment pending appeal and (ii) if Federal Circuit law applies, address why the panel decision should usurp the “well settled” law of *Rice*. In the case at hand, not only was the issue not pending, but it was completely resolved on October 7, 2016 when the jury rendered its verdict against ALE. *See Chrimar I*, 732 Fed. Appx. at 881. There is no question that under Fifth and Federal Circuit precedent the issue of validity was final and not pending. The panel holds that an issue finally decided is not final after all.

IV. The “Immediate Issue-Preclusive Effect” of XY Lacks Precedent

The panel decision also relied on *XY* for the proposition that the “Board’s decisions of unpatentability of the patent claims at issue in the present case has ‘an immediate issue-preclusive effect on any pending or co-pending actions involving the patent[s].’” *XY*, 890 F.3d at 1294. The above-cited proposition of the *XY* panel merely relied on two non-precedential panel opinions. *XY*, 890 F.3d at 1294 n.8 (“These decisions are non-precedential...”). The four corners of the panel decision lack any precedential authority for this proposition. The panel decision’s exercise

of sua sponte estoppel also deprives the parties of due process. *XY*, 890 F.3d at 1301 (Newman dissenting) (citing authorities where the parties were provided the opportunity to address estoppel and rejecting sua sponte estoppel). At a minimum, the Court en banc should allow the parties to address, brief, and argue issue preclusion. The 20 Amici Inventors strongly oppose the application of automatic, sua sponte estoppel in this appeal. After spending considerable resources to enforce their patents in Article III courts and the PTAB, the 20 Amici Inventors are entitled to at least due process to address issue preclusion should a similar situation arise in their cases.

V. The PTAB Decision and Jury Verdict Can Coexist

In the district court decision here on appeal, the jury first found the patent valid and that verdict was sustained by the district judge. The jury's finding of no invalidity is supported by substantial evidence. In these situations, there is no principled reason to "moot" the jury verdict (and corresponding judgment) even when the PTAB decision is sustainable on "substantial evidence." *See XY*, 890 F.3d at 1299 (Newman dissenting). Applying the correct issue preclusion standards, this Court en banc should address whether both the jury verdict finding validity (and the district court sustaining that ruling) and the PTAB invalidity decision can coexist. *See id.* ("the agency decision does not automatically override and estop the district court's earlier validity judgment, and remove that judgment

from our appellate cognizance”). No dispositive authority mandates that the PTAB ruling negates the jury verdict. Indeed, comparing AIA proceedings with Article III proceedings, the “features”—including burdens of proof—are different and the “purpose of the [two] proceeding[s] is not quite the same.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016). Given these inherent differences, it is anticipated, if not expected, to have different outcomes from both forums in certain situations.

CONCLUSION

The Court should weigh these principles and the 20 Amici Inventors’ perspective, and grant en banc review.

Respectfully submitted,

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CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this 4th day of November, 2019, I caused this Brief of 20 Amici Curiae Entrepreneurial Inventors in Support of Plaintiffs to be filed electronically with the Clerk of the Court using the CM/ECF System, which will send notice of such filing to the registered CM/ECF users.

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CERTIFICATE OF COMPLIANCE

1. This brief complies with type-volume limits because, excluding the parts of the document exempted by Fed. R. App. R. 32(f) (cover page, disclosure statement, table of contents, table of citations, statement regarding oral argument, signature block, certificates of counsel, addendum, attachments):

this brief contains [2,558] words.

this brief uses a monospaced type and contains [*state the number of*] lines of text.

2. This brief complies with the typeface and type style requirements because:

this brief has been prepared in a proportionally spaced typeface using [*Microsoft Word 2016*] in [*14pt Times New Roman*]; *or*

this brief has been prepared in a monospaced typeface using [*state name and version of word processing program*] with [*state number of characters per inch and name of type style*].

Dated: November 4, 2019

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